

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Product Prices
First-Class Package Service
First-Class Package Service Contract 1

Docket No. MC2012-11

Competitive Product Prices
First-Class Package Service Contract 1 (MC2012-11)
Negotiated Service Agreement

Docket No. CP2012-19

ORDER ADDING FIRST-CLASS PACKAGE SERVICE CONTRACT 1 TO THE
COMPETITIVE PRODUCT LIST

(Issued May 10, 2012)

I. INTRODUCTION

The Postal Service seeks to add a new product identified as First-Class Package Service Contract 1 to the competitive product list.¹ For the reasons discussed below, the Commission approves the Request.

¹ Request of the United States Postal Service to Add First-Class Package Service Contract 1 to the Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, April 17, 2012 (Request).

II. BACKGROUND

On April 17, 2012, in accordance with 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, the Postal Service filed the Request, along with supporting documents. In the Request, the Postal Service asserts that First-Class Package Service Contract 1 is a competitive product, and one that is “not of general applicability” within the meaning of 39 U.S.C. 3632(b)(3). Request at 1. The Postal Service further asserts that the prices and classification underlying the contract are supported by Governors’ Decision No. 11-6.² Among the supporting documents, the Postal Service included a statement supporting the Request, a certification of compliance with 39 U.S.C. 3633(a), a copy of Governors’ Decision No. 11-6, and a contract related to the proposed new product. In addition, the Postal Service submitted an application for non-public treatment of materials to maintain redacted portions of the contract, customer-identifying information, and related financial information filed under seal. *Id.*, Attachment F.³

On April 20, 2012, the Commission issued an order establishing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment.⁴

² Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-published Competitive Rates, March 22, 2011 (Governors’ Decision No. 11-6).

³ In its application for non-public treatment of materials, the Postal Service asks the Commission to protect customer-identifying information from public disclosure indefinitely. Request, Attachment F at 7. The Commission has consistently denied similar requests. See, e.g., Docket Nos. MC2011-1 and CP2011-2, Order No. 563, Order Approving Express Mail Contract 9 Negotiated Service Agreement, October 20, 2010, at 6-7.

⁴ Order No. 1321, Notice and Order Concerning the Addition of First-Class Package Service Contract 1 to the Competitive Product List, April 20, 2012.

II. COMMENTS

The Public Representative filed comments on May 7, 2012.⁵ No other interested person submitted comments. The Public Representative states that she has reviewed the Request, supporting documentation, and supporting financial models. PR Comments at 1-2. She concludes that the First-Class Package Service Contract 1 satisfies the criteria of 39 U.S.C. 3642(b) and 3633 (a). *Id.* at 2. She also states that the instant contract contains provisions favorable to both the Postal Service and the public. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Request, the instant contract, the supporting data filed under seal, and the Public Representative's comments.

Product list requirements. The Commission's statutory responsibilities when evaluating the request entail assigning First-Class Package Service Contract 1 to either the market dominant or the competitive product list. See 39 U.S.C. 3642; 39 CFR part 3020, subpart B. In making this determination, the Commission must consider the availability and use of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. 39 U.S.C. 3642(b)(3).

The Postal Service asserts that it provides First-Class Package service in a highly competitive market, that other shippers who provide similar services constrain its bargaining position, and that it therefore can neither raise prices nor decrease service, quality, or output without risking the loss of business to competitors. Request, Attachment D at 2. The Postal Service affirms that the contract partner supports the

⁵ Public Representative Comments, May 7, 2012 (PR Comments). The PR Comments were filed concurrently with a Motion of Public Representative for Late Acceptance of Comments, May 7, 2012. The motion is granted.

Request, that expedited shipping is widely available from private firms, and that it is unaware of any small business concerns that could offer comparable services to the contract partner. *Id.* at 3.

Having considered the relevant statutory and regulatory requirements and the Postal Service's supporting justification, the Commission finds that the First-Class Package Service Contract 1 product is appropriately classified as competitive.

Cost considerations. Because First-Class Package Service Contract 1 is a competitive product with rates or classes that are "not of general applicability", the Postal Service must also show that the contract covers its attributable costs, contributes to the Postal Service's institutional costs, and does not cause any market dominant products to subsidize competitive products. 39 U.S.C. 3632(b)(3), 3633(a), and 39 CFR 3015.5.

The Postal Service has submitted a certified statement, along with supporting revenue and cost data, which demonstrates that the instant contract satisfies the statutory and regulatory requirements. The Public Representative concurs. PR Comments at 1-3. The Commission finds that First-Class Package Service Contract 1 complies with the provisions applicable to rates for competitive products.

Other considerations. By its terms, the contract becomes effective on the day on which the Commission issues all necessary regulatory approvals and it expires 2 years later. Request, Attachment B at 2. The Postal Service shall notify the Commission of the effective dates of the instant contract.

If the instant contract is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days after the instant contract terminates, the Postal Service shall file annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves First-Class Package Service Contract 1 as a new product. The revision to the competitive product list appears below the signature of this Order and is effective immediately.

IV. ORDERING PARAGRAPHS

It is ordered:

1. First-Class Package Service Contract 1 (MC2012-11 and CP2012-19) is added to the competitive product list as a new product under Negotiated Service Agreements, Domestic. The revision to the competitive product list appears below the signature of this Order and is effective immediately.
2. The Postal Service shall promptly notify the Commission of the effective date of the contract, and shall notify the Commission if the instant contract ends prior to the scheduled expiration date as discussed in this Order.
3. Within 30 days after the instant contract terminates, the Postal Service shall file annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.
4. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Shoshana M. Grove
Secretary